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Message Text

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70
ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 XMB-02 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-05 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 FRB-01 FEA-01 PA-01

PRS-01 USIA-06 /090 R

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TREAS:PBLYBERG
EB/ORF/FSE:LRAICHT
XMB: WGLICK
EUR/CAN:DCHOLTON
---------- 079596
R 162058Z DEC 74
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA
INFO AMCONSUL CALGARY

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E.O. 11652:N/A
TAGS:ENRG, EFIN, CA
SUBJECT: ENERGY: EXIMBANK CURTAILMENT OF LOANS TO TAR SANDS DEVELOPMENT
REF: (A) OTTAWA 4008; (B) OTTAWA 3983

1. LOAN APPLICATION FOR SYNCRUDE PROJECT HAS NOT RPT NOT YET BEEN FORMALLY ACTED UPON BY EXPORT-IMPORT BANK. FYI. INTER-AGENCY NATIONAL ADVISORY COUNCIL ON INTERNATIONAL MONETARY AND FINANCIAL POLICIES (NAC), WHICH REVIEWS ALL LARGE PRO-POSED EXIMBANK CREDITS, CONSIDERED LOAN APPLICATION IN OCTOBER AND ADVISED BANK THAT LOAN SHOULD BE DENIED. END FYI.
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2. REASONS FOR CONCERN OVER PROJECT INCLUDE THE FOLLOWING:

(A) ALL EXIMBANK FINANCING FOR ENERGY-RELATED EQUIPMENT AND TECHNICAL SERVICES UNDERGOING CAREFUL REVIEW TO ASCERTAIN WHETHER IT WOULD BE UNNECESSARILY PROMOTING EXPORT OF SCARCE ENERGY CAPITAL AND GOODS.

(B) EXIMBANK OPERATES UNDER ANNUAL AUTHORIZATION CEILING WHICH FORCES BANK TO MAKE DIFFICULT CHOICES IN ALLOCATING RESOURCES WHICH INADEQUATE TO SATISFY DEMAND.

(C) IT IS NOT CLEAR THAT EXTENSION OF EXIMBANK CREDITS FOR SYNCRUDE PROJECT WOULD RESULT IN SIGNIFICANTLY HIGHER EXPORT

SALES THAN WOULD HAVE TAKEN PLACE IN ABSENCE OF SUCH FI-NANCING, GIVEN TECHNOLOGICAL ADVANTAGE OF U.S. SUPPLIERS.

3. OBJECTIONS TO FINANCING NOT RELATED TO ANY SPECIFIC CANADIAN POLICY DECISION AND NOT REGARDED AS DISCRIMINATORY AGAINST CANADA. STATEMENT IN FINANCIAL TIMES ATTRIBUTED TO ASSISTANT SECRETARY PARKSY (REFTEL B) IS TOTALLY ERRONEOUS.

4. WE DO NOT RPT NOT BELIEVE ABSENCE EXIMBANK FINANCING IS IMPORTANT ELEMENT IN CURRENT DIFFICULTIES SYNCRUDE PROJECT. EXIMBANK WAS ONLY ASKED TO FINANCE DOLS 75 MILLION OF PRO-JECT WHOSE TOTAL COSTS ORIGINALLY ESTIMATED AT APPROXIMATE-LY DOLS ONE BILLION AND WHICH WE UNDERSTAND HAVE NOT ESCA-LATED SUBSTANTIALLY ABOVE THIS. MAJOR OIL COMPANIES MAIN-TAIN HIGHLY ATTRACTIVE CREDIT RATINGS AND SHOULD HAVE NO DIFFICULTY OBTAINING COMMERCIAL FINANCING. WALL STREET JOURNAL ARTICLES OF DECEMBER 6 AND 9, WHICH WE BELIEVE AC-CURATE, ATTRIBUTE ARCO PULLOUT DECISION TO QUOTE DETERIOR-ATING ECONOMICS OF PROJECT UNQUOTE, INCLUDING ESCALATING COSTS AND UNCERTAIN PRICE OUTLOOK.

5. FYI. CANADA DECEMBER 2 SUBSCRIBED TO WASHINGTON AGREE-MENT AMONG MAJOR DEVELOPED COUNTRIES WHEREBY PARTICIPATING COUNTRIES COMMITTED THEMSELVES AS A GENERAL RULE NOT TO PROVIDE OFFICIAL SUPPORT FOR EXPORT CREDITS OF THREE YEARS OR MORE FOR EXPORT TRANSACTIONS AMONG THEMSELVES AND WITH LIMITED OFFICIAL USE

CERTAIN OTHER WEALTHY COUNTRIES. SYNCRUDE CONSIDERATION BEGAN PRIOR TO THIS CANADIAN ACTION AND HAD NO RELATION TO WASHINGTON AGREEMENT. WE DO NOT KNOW IF GOC HAS MADE PUB-LIC ITS ACCESSION TO THIS AGREEMENT. END FYI. INGERSOLL

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